

Message Text

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ACTION A-01

INFO OCT-01 EA-06 ISO-00 H-03 SS-15 NSC-06 /032 W
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TO SECSTATE WASHDC 9614
INFO AMCONSUL HONG KONG

C O N F I D E N T I A L SECTION 1 OF 4 PEKING 0097

E.O. 11652: XGDS-3
TAGS: OREP (CODEL CRANSTON), CH US ETRD EIND ENRG

SUBJ: TRANSCRIPT OF MEETING BETWEEN CODEL CRANSTON AND FOREIGN
TRADE MINISTER LI CHIANG

1. CODEL CRANSTON MET WITH FOREIGN TRADE MINISTER
LI CHIANG ON JANUARY 9 AT THE MINISTRY OF FOREIGN TRADE.
OTHERS ATTENDING INCLUDED CPIFA PRESIDENT HAO
TE-CHING, DEPUTY SECRETARY GENERAL MA CHIA-CHUN,
VICE MINISTER OF FORIEGN TRADE CHENG TO-PIN, DIRECTOR,
US AFFAIRS DIVISION, MFT, CHANG KUO-SHEN, AND USLO
ACTING CHIEF DEAN. THE FOLLOWING IS A TRANSCRIPT OF
THE DISCUSSION.

2. LI: I UNDERSTAND YOU HAVE BEEN HERE FOR SOME DAYS.
IS THIS THE FIRST TRIP FOR THE DELEGATION MEMBERS TO
CHINA (SENATOR CRANSTON RESPONDED AFFIRMATIVELY). I
WOULD LIKE TO WELCOME YOU.

3. CRANSTON: WE ARE EAGER TO MEET WITH YOU AS WITH
ANYONE. WE HOPE TO EXPAND TRADE OPPORTUNITIES AS
OUR RELATIONSHIP DEVELOPS.

4. LI: UNDER CHAIRMAN HUA'S LEADERSHIP, AND BY
GRASPING THE KEY LINK, WE HAVE BEEN DEVELOPING OUR
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ECONOMY AND HOPE TO ACHIEVE THE FOUR MODERNIZATIONS
BY THE END OF THIS CENTURY. IN THE PAST SEVERAL YEARS
WE HAVE COPED WITH THE DISTURBANCES OF THE GANG OF
FOUR. NOW WE ARE STRIVING TO MAKE UP FOR TIME LOST
BY THAT PROBLEM. BY THE END OF THE CENTURY WE CAN
ACHIEVE THE FOUR MODERNIZATIONS AND WE WOULD LIKE TO
DEVELOP OUR ECONOMY AT A RAPID RATE. THERE WILL BE

MORE INTERCHANGE WITH COUNTRIES ADVANCED IN SCIENCE AND TECHNOLOGY. WE WANT TO INTRODUCE SOPHISTICATED FOREIGN TECHNOLOGY AND EQUIPMENT IN ORDER TO SPEED UP OUR DEVELOPMENT. WITH THE GROWTH OF OUR DOMESTIC PRODUCTION, OUR FOREIGN TRADE WILL ALSO BE DEVELOPED. SO THE PROSPECTS ARE THAT THERE WILL BE CONSIDERABLE DEVELOPMENT IN FOREIGN TRADE. WE WILL SIGN A GENERAL TRADE AGREEMENT WITH THE COMMON MARKET. OUR RELATIONS WITH THE EC COUNTRIES ARE VERY GOOD. AFTER SIGNING THIS TRADE AGREEMENT, TRADE WITH THE EC WILL DEVELOP FURTHER. THE NEXT STEP IS TO IMPORT QUITE A NUMBER OF COMPLETE PLANTS. I WOULD BE INTERESTED IN YOUR VIEWS.

5. CRANSTON: I REPRESENT THE PEOPLE OF CALIFORNIA. OUR INTEREST IN TRADE WITH CHINA IS EQUAL TO OR GREATER THAN THAT OF ANY OTHER STATE, IN VIEW OF OUR LOCATION ON THE WEST COAST AND THE MANY PRODUCTS WHICH WE HAVE TO EXPORT. WE ALSO HOPE TO IMPORT PRODUCTS FROM CHINA.

6. LI: CAN YOU COMMENT ON THE KINDS OF PRODUCTS?

7. CRANSTON: WE HAVE DIVERSE INTERESTS; I WILL YIELD TO OTHERS.

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8. WHALEN: WE HAVE A LAW WHICH CONTROLS THE EXPORT OF HIGH TECHNOLOGY ITEMS. I AM THE RANKING REPUBLICAN MEMBER OF THE SUBCOMMITTEE WHICH EXERCISES JURISDICTION OVER THIS LAW. LATER THIS MONTH, WE WILL HOLD HEARINGS CONCERNING THE EXECUTION OF THIS LAW. I UNDERSTAND YOUR GOVERNMENT HAS SEVERAL APPLICATIONS PENDING. I WONDER WHETHER YOU COULD LIST THESE SO WE CAN MAKE A PROPER INQUIRY DURING THIS INVESTIGATION.

9. LI: REGARDING YOUR STATE?

10. WHALEN: NOT NECESSARILY. IN GENERAL, SOME PRODUCTS MUST HAVE AN APPROVED LICENSE FOR EXPORT FROM THE US. I WANT TO KNOW THE STATUS OF THESE APPLICATIONS SO THEY CAN BE CONSIDERED WHEN THE MATTER COMES BEFORE MY SUBCOMMITTEE.

11. LI: THERE ARE SOME PROBLEMS. MR. DEAN KNOWS VERY WELL.

12. WHALEN: I JUST WANT TO KNOW WHICH APPLICATIONS

ARE PENDING.

13. LI: ELECTRONIC COMPUTERS AND SOPHISTICATED TECHNICAL EQUIPMENT. PERHAPS WE CAN GET A LIST. MR. DEAN KNOWS THIS VERY WELL.

14. HART: CONCERNING US EXPORTS OF GRAIN TO CHINA, CAN WE HAVE YOUR OPINION AS TO WHETHER IT IS YOUR POLICY TO FAVOR TRADITIONAL TRADING PARTNERS, ESPECIALLY CANADA AND AUSTRALIA? IS THE FACT THAT WE HAVE NOT MET YOUR REQUESTS TO PURCHASE HIGH TECHNOLOGY AND COMPUTERS THE REASON FOR NOT FAVORING THE US IN AGRICULTURAL TRADE?

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15. LI: YOU HAVE CONNECTED THESE THINGS TOGETHER?

16. HART: YES, VERY CLEARLY (LAUGHTER). IN TERMS OF AGRICULTURAL PURCHASES, WHICH IS MORE IMPORTANT TO YOU; OUR WILLINGNESS TO SELL HIGH TECHNOLOGY OR NORMALIZATION?

17. LI: WHAT DO YOU THINK MR. DEAN?

18. DEAN: I AM SURE THE SENATOR WOULD RATHER HEAR THE MINISTER'S REPLY.

19. LI: GENERALLY SPEAKING, TRADE AS A WHOLE IS INFLUENCED BY WHETHER OR NOT WE HAVE DIPLOMATIC RELATIONS. WE PURCHASE AGRICULTURAL PRODUCTS ACCORDING TO OUR REQUIREMENTS AND POSSIBILITIES, BUT THERE WILL BE SOME CONNECTION WITH DIPLOMATIC RELATIONS. WE WILL NOT FORGET OUR OLD TRADING PARTNERS CANADA AND AUSTRALIA. IN THE PAST, WE HAVE HAD LONG TERM AGREEMENTS WITH THESE TWO COUNTRIES. IF WE PURCHASE GRAIN WE WILL TRY TO PURCHASE FROM THIRD COUNTRIES, INCLUDING THE US, A WELL. FOR EXAMPLE, IN 1973 AND 1974 WE PURCHASED FROM THIRD PARTIES, INCLUDING US SOYBEANS. ANYWAY, WE IMPORT AND EXPORT AGRICULTURAL PRODUCTS EVERY YEAR IN ORDER TO BALANCE OUR PRODUCTION. WE EXPORT RICE AND IMPORT WHEAT. OUR WHEAT OUTPUT IS NOT SO SMALL, A LITTLE SMALLER THAN YOURS, BUT WE HAVE A BIG POPULATION SO WE WILL CONTINUE TO IMPORT. APART FROM THESE TWO OLD FRIENDS, WE WILL ALSO CONSIDER PURCHASES FROM YOU, BUT NOT IN AS BIG QUANTITIES AS THE USSR. WHY DO THEY (THE SOVIETS) PURCHASE SUCH LARGE QUANTITIES. THEY DON'T HAVE A BIG

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POPULATION. THEY MAY HAVE ANOTHER PURPOSE. WE DON'T
KNOW. OURS IS FOR FOOD, FEEDING THE PEOPLE. WE WILL
CONSIDER THIS IN THE FUTURE.

20. RICHMOND: CONCERNING 1978 WHEAT PURCHASES, IF
THE US WERE TO PROVIDE FOR LONG-TERM PAYMENT
ARRANGEMENTS -- NOT CREDIT, WE KNOW YOU DON'T LIKE
THAT -- WOULD THAT INFLUENCE YOUR PURCHASES OF US
WHEAT?

21. LI: AS TO THE TERMS OF PAYMENT, WE DON'T ADOPT
LONG TERM DEFERRED PAYMENTS FOR PURCHASING AGRICULTURAL

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PRODUCTS. SOMETIMES WHEN WE SIGN LONG-TERM DEFERRED
PAYMENT CONTRACTS WE GIVE AN ADVANCE PAYMENT, JUST TO
REDUCE THE INTEREST. FOR AGRICULTURAL PRODUCTS WOULD
DEFERRED PAYMENTS BE POSSIBLE? WOULD YOU LIKE TO
GIVE LONG-TERM CREDITS?

22. RICHMOND: IN CONGRESS THERE IS A BILL WHICH WOULD
GIVE LONG-TERM CREDIT TO COUNTRIES LIKE CHINA IF THEY
WANT IT TO PURCHASE WHEAT, CORN, SOYBEANS, ETC.

23. CRANSTON: IT COULD ALSO BE SHORT-TERM.

24. RICHMOND: IS THAT OF INTEREST?

25. LI: I AM NOT EXPERIENCED IN THIS FIELD. I SHOULD CONSULT WITH THE BANK OF CHINA AND THE FOREIGN TRADE CORPORATION PEOPLE.

26. SOLARZ: YOU SAID YOUR COUNTRY WOULD LIKE TO ACHIEVE FULL MODERNIZATION BY THE END OF THE CENTURY. DOES THIS MEAN REACHING THE ECONOMIC LEVELS OF THE US, WESTERN EUROPEAN COUNTRIES AND JAPAN? AND, HOW DO YOU DEFINE FULL MODERNIZATION, HOW WILL YOU ACHIEVE THIS OBJECTIVE?

27. LI: IN PRINCIPLE, WE WOULD LIKE TO ATTAIN THE
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ADVANCED LEVEL OF THOSE COUNTRIES YOU MENTIONED. MAYBE NOT THE LEVEL (ATTAINED) AT THE END OF THE CENTURY, BECAUSE YOUR LEVEL WILL ALSO BE RISING IN

THE FUTURE. OF COURSE THIS INVOLVES MANY ASPECTS. WE WOULD LIKE TO REFORM AND STRENGTHEN SCIENTIFIC RESEARCH, STRENGTHEN EDUCATION, AND RAISE THE LEVEL OF HIGH SCHOOLS AND UNIVERSITIES. IN THE MEANTIME, WE WISH TO DEVELOP INDUSTRY AS WELL AS AGRICULTURE. SPEAKING OF DEVELOPING INFRASTRUCTURE, WE WILL GIVE PRIORITY TO DEVELOPING BASIC INDUSTRIES. FIRST OF ALL, POWER, FUEL AND TRANSPORTATION SECTORS; AND THEN METALLURGICAL AND BASIC CHEMICAL INDUSTRIES. SO LONG AS WE HAVE THE CHEMICAL AND METALLURGICAL INDUSTRIES AS A BASE, WE CAN DEVELOP OTHER INDUSTRIES. THIS IS OUR GENERAL PROGRAM.

28. RICHMOND: WHAT CONSTITUTES THE MAJOR OBSTACLE TO THE LEVEL OF DEVELOPMENT YOU SEEK TO ACHIEVE BY THE END OF THE CENTURY? HOW DO YOU GO ABOUT ACCUMULATING THE CAPITAL WHICH WILL BE NECESSARY TO REACH THIS LEVEL OF DEVELOPMENT BY THE END OF THE CENTURY?

29. LI: I DON'T THINK THERE ARE ANY OBSTACLES. MOST OF THE OBSTACLES WE WILL OVERCOME. FIRST WE WILL TRAIN OUR CADRES, DEVELOP SCIENTIFIC RESEARCH, RAISE EDUCATIONAL LEVELS, AND DEVELOP OUR FUEL, ENERGY, AND COMMUNICATIONS INDUSTRIES. THEN WE WILL DEVELOP METALLURGICAL AND CHEMICAL INDUSTRIES. WHAT I MEAN IS, BASIC CHEMICAL INDUSTRIES FOR SEMI-MANUFACTURED PRODUCTS. ALSO THERE IS A FOOD PROBLEM -- TO FEED ALL THE PEOPLE WE MUST DEVELOP AGRICULTURE. IN THIS I INCLUDE AGRICULTURE, FORESTRY, ANIMAL HUSBANDRY,
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ANIMAL BYPRODUCTS AND FISHERIES. IN THE VARIOUS PARTS OF OUR COUNTRY THERE ARE CLIMATE AND GEOGRAPHICAL DIFFERENCES. THEREFORE WE MUST TAKE ADVANTAGE OF FOREIGN TRADE TO ALANCE ALL THESE REQUIREMENTS. FIRST WE MUST PRODUCE FOR THE INTERNAL MARKET, THEN FOR FOREIGN TRADE. IF WE HAVE SURPLUS PRODUCTS WE MAY EXPORT THEM. SOME PRODUCTS WE MAY PRODUCE ESPECIALLY FOR THE INTERNATIONAL MARKET. WHAT IS YOUR VIEW? FOR EXAMPLE, WHAT ABOUT OIL; IN HOW MANY YEARS WILL ALL THE WORLD'S OIL BE CONSUMED?

30. ABOUREZK: AT THE PRESENT RATE, 100 YEARS.

31. LI: ALL OF US WILL HAVE DISAPPEARED IN 100 YEARS. (LAUGHTER)

32. CRANSTON: DO YOU EXPECT TO EXPORT SIZEABLE AMOUNTS OF OIL?

33. LI: YES, WE WILL EXPORT SIZEABLE AMOUNTS OF OIL.

34. MATHIAAS: YOU ASKED HOW LONG WILL WORLD OIL SUPPLIES LAST. I DON'T BELIEVE THAT THIS IS REALLY THE QUESTION. THE QUESTION IS: HOW EXPENSIVE WILL OIL BECOME IN A FEW YEARS? THE CHALLENGE TO THE ECONOMIES OF THE NATIONS OF THE WORLD IS TO FIND ALTERNATIVE ENERGY SOURCES. THIS IS A SEARCH WHICH REQUIRES COOPERATION AND COORDINATION OF EFFORT AT A HIGH LEVEL. WHEN I SUGGEST THIS, IT IS NOT BECAUSE I AM LOOKING FOR HELP OR WANT TO GIVE HELP, BUT JUST BECAUSE I THINK IT IS THE ONLY WAY WE WILL ALL SURVIVE.

35. LI: I HAVE MY OWN VIEW ON THIS POINT. IF EVERYTHING IS DEPENDENT ON OIL, THE PERIOD FOR CONSUMING THE WORLD'S SUPPLIES WOULD BE SHORTENED TO EVEN LESS THAN 100 YEARS. FIVE TO SIX YEARS AGO
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SOME COUNTRIES SAID IF THERE WERE LESS CONSUMPTION OF COAL AND MORE CONSUMPTION OF OIL, THIS WOULD BE AN ADVANCE. MANY PEOPLE WANTED TO DO IT THIS WAY. MAYBE YOU HAVE TURNED TO THIS WAY EARLIER THAN WE. AT PRESENT, HOWEVER, THE TENDENCY IS TO CONSUME LESS OIL AND MORE COAL. DO YOU SHARE MY VIEW?

36. MATHIAS: THAT IS NOW THE PROGRAM IN THE US -- TO CONSUME MORE COAL AND LESS OIL. SEVERAL YEARS AGO

WE ALL LAUGHED WHEN THE SHAH OF IRAN SAID OIL IS TOO VALUABLE TO BURN. NOW WE KNOW HE WAS RIGHT.

37. LI: MAYBE WE HAVE THE SAME SITUATION AS IN THE US. AT PRESENT LEVELS, WE CAN CONSUME COAL FOR 1000 YEARS. THEN WHAT HAPPENS AFTER THE COAL IS EXHAUSTED? I AM OPTIMISTIC THAT THERE WILL BE NEW ENERGY SOURCES BY THAT TIME. CERTAINLY NEW INVENTIONS BY THAT TIME. WHEN I TALK WITH FOREIGN FRIENDS, THEY ARE NOT AS OPTIMISTIC AS ME. I SAY OIL IS NOT ENOUGH. WE MAY

EXPORT SOME, BUT NOT IN BIG QUANTITIES. WE WILL DEVELOP OUR OIL INDUSTRY. YOU ARE THE SECOND LARGEST OIL PRODUCING COUNTRY. OUR OIL OUTPUT WILL BE RAISED IF WE DEVELOP OUR OIL INDUSTRY. SO WE WILL CATCH UP, NOT ONLY WITH YOU, BUT WITH OTHER COUNTRIES AS WELL.

38. CRANSTON: I SHARE YOUR OPTIMISM ABOUT THE DEVELOPMENT OF NEW SOURCES OF ENERGY. THE ONLY QUESTION IS HOW FAST WE WILL BE ABLE TO DO THIS.

39. NEAL: THE MAIN AREAS WHICH YOU MENTIONED WHICH YOU WANT TO ADVANCE ARE ALSO AREAS WHERE WE, TOO, ARE STRONG, FOR EXAMPLE, POWER, TRANSPORTATION, CONFIDENTIAL

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OIL DRILLING EQUIPMENT AND COMMUNICATION EQUIPMENT. WE SELL THESE KINDS OF PLANTS -- POWER PLANTS, TRANSPORTATION EQUIPMENT, ETC. WE OFFER DEFERRED PAYMENTS THROUGH OUR EXPORT/IMPORT BANK OF 7-10 YEARS, OR EVEN LONGER. THIS IS LONGER THAN ANY PRIVATE COMMERCIAL BANK WILL OFFER. I AM VERY INTERESTED IN THE EXPORT/IMPORT BANK BECAUSE I AM CHAIRMAN OF THE SUBCOMMITTEE WHICH HAS RESPONSIBILITY FOR IT. I WOULD VERY MUCH LIKE TO KNOW IF YOU ARE INTERESTED IN THIS KIND OF FACILITY.

40. LI: IN THE PAST OUR PRACTICE ON DEFERRED PAYMENT WAS FOR A TERM OF NOT LONGER THAN FIVE YEARS. NOW MANY FOREIGN FRIENDS ARE COMING TO MAKE SUGGESTIONS TO US. FIRST THEY WANT TO GIVE US CREDIT. WE CAN'T RECEIVE IT. THEN LATER ON, THEY PROPOSE DEFERRED PAYMENTS FOR LONGER PERIOD. WE NOW CONSIDER THAT WE MAY HAVE SOME FLEXIBILITY IN THIS MATTER.

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REPAYMENT MAY BE PROLONGED TO EXCEED FIVE YEARS BUT, IN ANY CASE, WE WILL NOT EXCEED 10 YEARS. WHEN WE OWE A DEBT TO OTHERS, WE MUST CONSIDER HOW WE WILL PAY FOR IT. WE WILL NOT CONTRACT WITH OTHERS IF WE ARE NOT SURE WE CAN PAY FOR IT. WE ARE VERY SERIOUS ABOUT THIS.

41. NEAL: YOU SOUND LIKE GOOD GUYS TO DO BUSINESS WITH.

42. WEAVER: I REPRESENT A STATE WHICH IS IMPORTANT IN FORESTRY. WE SHIP LARGE AMOUNTS OF TIMBER TO JAPAN. IT WOULD BE OF VITAL INTEREST TO US TO KNOW WHETHER CHINA WILL BEIN A POSITION TO EXPORT OR IMPORT TIMBER IN THE YEARS TO COME.

43. LI: CHINA IS A COUNTRY WITH A SHORTAGE OF TIMBER. WHEN YOU CAME INTO THIS ROOM, YOU MAY HAVE NOTICED THE FLOOR IS ALL CEMENT. WE IMPORT SOME TIMBER, BUT A VERY LOW QUANTITY. WE MAINLY RELY ON OUR OWN PRODUCTS. EVERY YEAR WE DO A LOT OF FORESTRY WORK AND CUT MANY TREES. WE ALSO IMPORT SOME TIMBER FROM THE USSR, BUT IN SMALL QUANTITIES, LESS THAN ONE MILLION CUBIC METERS. WE ALSO IMPORT SOME FROM COUNTRIES TO THE SOUTH, FOR EXAMPLE, THE PHILIPPINES, AND SOME FROM OTHER COUNTRIES. WE IMPORT SPECIAL KINDS OF TIMBER
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FOR FURNITURE -- TEAK. WE EXPORT SOME ARTS AND CRAFTS PRODUCTS AND FURNITURE -- ALL MADE OF IMPORTED WOOD. THE PURCHASES FROM THE USSR ARE USED FOR WOODEN CEWES AND SUPPORTING COLUMNS IN COAL MINES. NOW WE HAVE CHANGED GRADUALLY TO HYDRAULIC (SUPPORT), AND

SOME IMPORTS FOR PAPER MAKING. WE IMPORT LARGE QUANTITIES OF WOOD PULP.

44. ASST SEC OF STATE BENNETT: CONCERNING THE FOUR MODERNIZATIONS, YOU STATED CHINA WOULD ENGAGE IN TRADE TO BALANCE THE DOMESTIC ECONOMY (TO LEVEL OUT SUPPLIES) AND -- TO SOME DEGREE -- TO PRODUCE FOR EXPORT.

45. LI: AND ALSO, WE HAVE SOME PRODUCTS MANUFACTURED ESPECIALLY FOR FOREIGN MARKETS.

46. BENNETT: WILL THE CHINESE GOVERNMENT USE TRADE TO INCREASE SELF-SUFFICIENCY OR, AFTER MODERNIZATION HAS BEEN ACHIEVED, TRY TO USE FOREIGN TRADE TO INCREASE WEALTH? I WANT TO GAIN SOME IMPRESSION ABOUT HOW ACTIVE CHINA WILL BE IN FOREIGN TRADE IN THE FUTURE.

47. LI: WE WILL USE IT FOR BOTH PURPOSES. WE ARE A COUNTRY WITH VAST AREA. WE CANNOT RELY MAINLY ON FOREIGN TRADE. YOUR PERCENTAGE OF FOREIGN TRADE IS NOT AS BIG AS THAT OF JAPAN; I MEAN PERCENTAGE OF FOREIGN TRADE TO GNP. OUR PERCENTAGE MAY BE EVEN SMALLER THAN YOURS, THAT IS OUR SITUATION -- MUCH SMALLER. SO WE MAINLY RELY ON OUR OWN EFFORTS TO ACHIEVE SELF-SUFFICIENCY, SUPPLEMENTED BY FOREIGN TRADE. FOREIGN TRADE HAS A PURPOSE DIFFERENT FROM CONFIDENTIAL

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THAT OF INTERNAL TRADE. WE ATTACH GREAT IMPORTANCE TO FOREIGN TRADE.

48. CRANSTON DO YOU CONSIDER FOREIGN TRADE IMPORTANT FOR THE ACCUMULATION OF CAPITAL NECESSARY FOR INTERNAL DEVELOPMENT?

49. LI: OF COURSE WE WILL ACCUMULATE SOME CAPITAL, THERE IS NO QUESTION ABOUT THIS. WE USE FOREIGN EXCHANGE TO IMPORT GOODS. WE ACCUMULATE THESE GOODS.

50. DIRECTOR, INR/REA HOROWITZ: WE SEEM TO BE TALKING ABOUT HOW CHINA WILL GENERATE THE FOREIGN EXCHANGE NECESSARY TO MEET ITS NEEDS FOR MODERNIZATION. YOU HAVE INDICATED SOME AREAS WHERE YOU HOPE TO INCREASE EXPORTS. YOU HAVE IDENTIFIED ONLY PETROLEUM. YOU ALSO MENTIONED INDUSTRIES WHERE THERE IS IMPORT SUBSTITUTION, FOR EXAMPLE, FERTILIZER. PLEASE OUTLINE THOSE AREAS WHERE THERE ARE GOOD POSSIBILITIES FOR AN INCREASE IN EXPORTS AND THOSE AREAS FOR IMPORT SUB-

STITUTION.

51. LI: THE STRUCTURE OF OUR IMPORTS HAS CHANGED FROM TIME-TO-TIME. IN 1950-51, THE BEGINNING OF LIBERATION, WE IMPORTED MANY THINGS WHICH WE EXPORT NOW. SO THE STRUCTURE CHANGES. AT THAT TIME WE IMPORTED OIL; THIS CONTINUED UNTIL 1962-63 WHEN THE IMPORTS STOPPED. LATER ON WE EXPORTED OIL. WE ALSO INTEND TO CONTINUE TO EXPORT COAL. WE IMPORT FERTILIZER AND FERTILIZER MANUFACTURING EQUIPMENT, INCLUDING FROM THE US. FOR EXAMPLE, THE AMMONIA FERTILIZER PLANTS FROM THE KELLOGG CO. BUT THESE SEVERAL PLANTS ARE NOT ENOUGH. WE HAVE MANY PEOPLE. STILL, IT IS NOT POSSIBLE TO IMPORT CONTINUOUSLY. BUT THIS WILL BE SUFFICIENT FOR A CERTAIN TIME. WE WANT TO USE COAL AS A RAW MATERIAL (BOTH) TO
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DEVELOP THE POWER INDUSTRY, AND TO ESTABLISH FERTILIZER PLANTS. BUT THIS WILL TAKE SOME TIME TO DEVELOP BEFORE WE START TO IMPORT. (COMMENT: PRESUMABLY, HE MEANT IMPORT THE FERTILIZER MANUFACTURING EQUIPMENT.) WE HAVE SOME ADDITIONAL PRODUCTS TO DEVELOP FOR EXPORT. FOR EXAMPLE, WE EXPORT MACHINERY TO WORLD MARKETS, INCLUDING SOME TO YOUR COUNTRY. SOME MACHINERY WILL NOT CONTINUE TO PRODUCE BUT WE WILL CONTINUE TO DO SO. WE ALSO SELL TO THE EUROPEAN MARKET. IN THE FUTURE, WE WILL ALSO PRODUCE HIGH TECHNOLOGY ITEMS.

52. LUGAR: IN 1978, WILL CHINA IMPORT MORE WHEAT THAN 1977? WILL YOU MAKE AN ESTIMATE OF 1978 IMPORTS?

53. LI: IT IS DIFFICULT TO SAY NOW. WE WILL MAKE SOME COMPARISONS IN THE INTERNATIONAL MARKET AND SOME FACTORS WILL BE BEYOND MAN'S CONTROL; THEY WILL BE INFLUENCED BY GOD (LAUGHTER). I AM REFERRING TO THE WEATHER.

54. LUGAR: WAS THE WHEAT CROP IN 1977 POORER THAN 1976?

55. LI: FALL PRODUCTION WAS BETTER THAN THE SPRING AND SPRING PRODUCTION WAS LOWER THAN THE SPRING OF THE PREVIOUS YEAR.

56. WHALEN: YOU SAID YOUR GOVERNMENT CONCLUDED A TRADE AGREEMENT WITH THE EC.

57. LI: WILL CONCLUDE IN MARCH OR APRIL.

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58. WHALEN: I WOULD BE INTERESTED IN LEARNING
WHETHER THE BASIC TERMS OF THIS AGREEMENT INCLUDE THE
EXCHANGE OF CAPITAL AND HIGH TECHNOLOGY ITEMS. WHAT
WILL BE THE TERMS OF PAYMENT?

59. LI: THERE IS NO COMMODITY LIST; JUST GENERAL
TERMS.

60. WHALEN: WHAT ARE THESE TERMS?

61. LI: JUST GENERAL TRADE TERMS LIKE WE HAVE WITH
OTHER COUNTRIES, ONLY NOW AGREEMENT IS WITH THE EC
INSTEAD OF ALL THE (INDIVIDUAL) COUNTRIES.

62. MATHIAS: YOU SAID IT IS NECESSARY TO THINK OF
FOOD FIRST. I AGREE. THE SAME CONSIDERATIONS APPLY
TO FOOD AS TO OIL. WE MUST LEARN TO COOPERATE AND
COORDINATE EFFORTS. THE DAY WILL COME WHEN THE GREAT

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FOOD PRODUCING COUNTRIES MUST SHARE PROJECTIONS AND
EXCHANGE INFORMATION ABOUT CROPS. I WONDER IF YOUR
GOVERNMENT HAS GIVEN ANY CONSIDERATION TO SHARING
INFORMATION ABOUT CROPS WITH THOSE COUNTRIES WITH
WHOM YOU NORMALLY TRADE.

63. LI: WE DON'T HAVE THIS KIND OF EXCHANGE NOW. WE WILL SEE IF THERE WILL BE SUCH AN EXCHANGE LATER. I DON'T KNOW YET. GENERALLY SPEAKING WE ARE SUFFICIENT IN FOOD. TOTAL OUTPUT MAY BE LESS THAN YOURS BUT, FOR EXAMPLE, OUR COTTON PRODUCTION IS GREATER THAN YOURS. WE STILL IMPORT COTTON FROM YOU. DIRECT PURCHASE FROM THE US. WE HAVE A BIG POPULATION AND A BIG DEMAND FOR CLOTHING.

46. SOLARZ: THE GREAT ACHIEVEMENT OF THE CHINESE REVOLUTION WAS THE ELIMINATION OF HUNGER AND STARVATION. HOW DID YOU ACHIEVE THIS GREAT OBJECTIVE? AND TO WHAT EXTENT IS YOUR EXPERIENCE APPLICABLE TO OTHER DEVELOPING COUNTRIES?

64. LI: AT FIRST WE HAD TO DO THE LABOR WORK OURSELVES. IN THE PAST, IN YENAN, THE CHIANG KAI-SHEK CLIQUE DIDN'T GIVE US FOOD. WE HAD TO DEVELOP (THROUGH) OUR OWN EFFORTS. AT THAT TIME, VICE PREMIER WANG CHEN WAS HEAD OF A BRIGADE. CONCERNING CONFIDENTIAL

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TRAIN, FIRST OF ALL, WE NEEDED TO FEED THE PEOPLE. EVEN IF A PERSON HAD MUCH MONEY HE COULD NOT GET MORE FOOD THAN OTHERS. IN THIS WAY IT COULD BE ASSURED THAT EVERYONE HAD ENOUGH FOOD. THIS IS THE DIFFERENCE BETWEEN OUR MONEY AND YOUR MONEY. IN CHINA, EVEN IF YOU HAVE MORE MONEY, YOU CANNOT BUY FOOD EXCEEDING YOUR NEEDS. SO EVERYONE GETS ENOUGH.

66. HOROWITZ: YOUR EXPORTS TO THE US HAVE BEEN INCREASING AND YOUR IMPORTS FROM US DECREASING SINCE 1974 WHEN WE HAD A LARGE SURPLUS. NOW TRADE IS ROUGHLY IN BALANCE, OR YOU MAY HAVE A SURPLUS. LOOKING INTO THE FUTURE, DO YOU THINK THE TRADE WILL REMAIN IN ROUGH BALANCE OR WILL IT DEPEND ON WHAT ITEMS ARE IMPORTED AND EXPORTED? WHAT KIND OF DEVELOPMENT IN BILATERAL TRADE DO YOU SEE IN THE FUTURE?

67. LI: THERE SHOULD BE ROUGH BALANCE, GENERALLY SPEAKING. YOUR LIAISON OFFICE KNOWS VERY WELL THAT THERE ARE SO MANY CONTRACTS THAT CANNOT BE SIGNED. YOU SHOULD BE AWARE OF THIS BECAUSE YOU WERE AN OFFICIAL HERE. SOME CONTRACTS ARE SIGNED BUT THE EQUIPMENT CANNOT BE DELIVERED. YOU ARE ALSO AWARE OF THAT FACT.

68. CRANSTON: THANK YOU FOR YOUR GENEROUS EX-

TENSION OF TIME. WE HOPE THAT OUR TRADE -- BOTH
IMPORTS AND EXPORTS -- WILL INCREASE IN THE COMING
YEARS.

69. LI: WE HOPE SO. THROUGH YOUR EFFORTS. THE
PROBLEMS RAISED BY MR. HOROWITZ ARE ON YOUR SIDE.
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THE BALL IS IN YOUR COURT. (LAUGHTER).

70. THE MEETING CLOSED AT THIS POINT. IT HAD
LASTED FOR 90 MINUTES.

71. THIS MESSAGE HAS NOT BEEN REVIEWED WITH
MEMBERS OF THE CODEL.
DEAN

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Message Attributes

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Draft Date: 10 jan 1978
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Disposition Action: RELEASED
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Drafter: n/a
Enclosure: n/a
Executive Order: X3
Errors: N/A
Expiration:
Film Number: D780015-0670
Format: TEL
From: PEKING
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780180/aaaacpyr.tel
Line Count: 675
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f1aaeae4-c288-dd11-92da-001cc4696bcc
Office: ACTION A
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 13
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3801118
Secure: OPEN
Status: NATIVE
Subject: TRANSCRIPT OF MEETING BETWEEN CODEL CRANSTON AND FOREIGN TRADE MINISTER LI CHIANG
TAGS: OREP, ETRD, EIND, ENRG, CH, US, (CRANSTON, ALAN)
To: STATE
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/f1aaeae4-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014